

## Message Text

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PAGE 01 REYKJA 00824 171841Z

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/103 W

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R 171707Z JUL 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 5518

INFO CINCLANT

COMICEDEFOR

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

USMISSION GENEVA

USDEL MTN GENEVA UNN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

USMISSION NATO

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E.O. 11652: N/A

TAGS: EFIN ETRD GATT EFTA EEC IC

SUBJECT: ICELAND IMPOSES SPECIAL CHARGE ON IMPORTS TO REDUCE  
BUDGET DEFICIT

1. SUMMARY. FACED WITH MOUNTING BUDGETARY DIFFICULTIES, GOI  
ANNOUNCED YESTERDAY IMPOSITION OF SPECIAL CHARGES OF 12 PER  
CENT ON CERTAIN IMPORTS AND LOCAL GOODS. DETAILS WILL FOLLOW BY  
AIRGRAM. END SUMMARY.

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PAGE 02 REYKJA 00824 171841Z

2. ICELAND FACES UNFINANCED TREASURY DEFICIT OF 3.8 BILLION IKR

(ABOUT \$25 MILLION) FOR 1975. HAS MADE GALLANT EFFORT IN RECENT DAYS, PRODUCING ABOUT 2 BILLION IKR IN BUDGET CUTS BOTH IN OPERATING EXPENSES AND IN CAPITAL ACCOUNT. PROJECTS CUT INCLUDE SCHOOLS, HOSPITALS, AIRPORTS, ETC. AND IF THE PROPOSED CUTS DO NOT FALL VICTIM TO POLITICAL PRESSURES, THIS ACTION REPRESENTS MAJOR EFFORT BY GOI TO STRAIGHTEN OUT ECONOMY. SERIOUS CONCERN OF THE MOMENT IS EFFECT OF BUDGET CUT ON EMPLOYMENT PICTURE. UNEMPLOYMENT PRESENTLY ABOUT 1 PER CENT, SIGNIFICANT BY ICELANDIC STANDARDS.

3. IN ORDER TO ELIMINATE REMAINING 1.8 BILLION IKR DEFICIT, GOI APPROVED PROVISIONAL LAW IMPOSING TILL THE END OF THE YEAR A 12 PER CENT "EXCISE CHARGE" ON CERTAIN LOCAL AND IMPORTED GOODS. CHARGE APPLIES TO 40 PER CENT OF IMPORTED ITEMS.

4. COMMENT. COMMERCE OFFICIAL TOLD EMBOFF THAT GOI HAD BEEN IN TOUCH WITH EFTA AND GATT SECRETARIATS AND BELIEVED THAT "EXCISE CHARGE" WOULD BE ALLOWED. THEY CAREFULLY AVOID IDENTIFYING CHARGE AS IMPORT SURCHARGE NOTING THAT IT ONLY APPLIES TO SOME IMPORTS AND TO CERTAIN LOCALLY PRODUCED GOODS. WHILE ICELAND ANTICIPATES A \$75 MILLION TRADE DIFICIT, "EXCISE CHARGE" WAS SPECIFIED AS REVENUE EARNER TO COVER TREASURY DEFICIT. PRIME MINISTER IN CONVERSATION WITH AMBASSADOR THIS MORNING TOLD HIM THIS WAS ANOTHER UNPOPULAR MEASURE CIRCUMSTANCES MADE GOI TAKE WHICH WILL NOT HELP HIM POLITICALLY.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, IMPORTS, BUDGET DEFICITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975REYKJA00824  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750248-0234  
**From:** REYKJAVIK  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750746/aaaabpkn.tel  
**Line Count:** 87  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2003 by ShawDG>; APPROVED <03 OCT 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ICELAND IMPOSES SPECIAL CHARGE ON IMPORTS TO REDUCE BUDGET DEFICIT  
**TAGS:** EFIN, ETRD, IC, GATT, EFTA, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006